Concordia University

Board of Governors

Concordia Employee Benefits Committee

Meeting of Friday, November 18 1977

Attendance: Mr. H. Hemens, Chairman, Mr. E. A. Lemieux, Mr. C. Malone, Mr. A. Duff, Prof. C. Goldman, Prof. A. Dickie, Mr. P. Gore, Mr. W. M. Reay, Prof. G. Martin, Mr. C. Waters, Miss D. Johnson, Messrs. M. Petit, A. N. Smith and D. W. S. Dunlop of National Trust, Miss M. Bourgeois and Messrs. J. Fawcett and R. S. C. Donald of McLean Budden, Mr. R. Brochu of William M. Mercer Ltd.

Meeting of October 19th 1977

It was proposed by Prof. Goldman, seconded by Mr. Lemieux and unanimously carried that the minutes of the October 19th meeting be approved as circulated.

Custodianship

A descriptive booklet was circulated to Committee members and Michel Petit of National Trust gave a short description of the custodial services offered by his firm. In answer to a question from Mr. Goldman, Mr. Petit informed the Committee that records were kept in Toronto and assets held in the Montreal safe unless they were otherwise instructed. Mr. Petit commented that as a " Directed Trust," the Concordia Pension Plan would represent a healthy proportion of this category at National.

Mr. Hemens advised the Committee members that Mr. Duff was on the Board of Directors of National Trust and should therefore abstain from voting when a decision was being made. He also pointed out that Mr. Duff did not attend the meeting where it was decided that National Trust make a presentation.

Mr. Lemieux asked what the Mortgage Administration fees were for since third party mortgages were administered by the issuing institution and that a fee was charged by them for administration. Mr. Petit replied that National Trust was responsible for ensuring that capital and interest payments were received, and received on time. He agreed that there was a duplication of administration but that it was unavoidable.

The secretary was instructed to calculate the costs for Concordia's fund, of servicing third party mortgages.

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Mr. Petit advised the Committee that fund accounting could be provided on a monthly, quarterly or annual basis in accordance with the needs of the Committee. Regardless of the frequency, he stated that the charge would be the same. He pointed out that accounting was done on a cash basis. Accrual accounting, when required, would be done manually at an additional cost.

Prof. Dickie asked to what extent the National Trust audit would affect the Concordia account. Mr. Petit replied that:

1) A security count would be made of the Concordia Plan assets separately and distinctly from the other assets held by National.

2) The statement would be checked out

3) An auditor's certification would be provided when requested.

He added that National Trust would co-operate fully should Concordia send its auditors to check securities at any time without prior notification.

It was also pointed out that National Trust is responsible for any missing securities.

Mr. Hemens commented that the presentation made by National Trust demonstrated competence. He thanked the representatives of National and advised them that the results would be dealt with.

Presentation by McLean Budden

Mr. Fawcett summarized the strategy of McLean Budden since 1973 which in a nutshell was to reduce the Equities held and zero in on high coupon bonds and mortgages with less volatility.

Mr. Lemieux commented that he had little argument with the Fixed Income strategy but that his concern lay with the equity portion of the fund. He questioned why Concordia should remain with McLean Budden since the required expertise in equities was not forthcoming.

Mr. Donald, who joined McLean Budden in September 1977 as Chairman and Chief Executive Officer made the following comments:

- Up until 1972, McLean Budden's performance in equities was good. There has been a fall off since due mostly to non implementation of investment decisions when made.

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- McLean Budden had concentrated on the better growth stocks which fell by the wayside and did not come through the cycle.

Mr. Fawcett stated that frankly, equity performance had been below par and it was partly for his equity expertise that Mr. Donald had been asked to join the firm.

Prof. Goldman stated that five years ago, the total fund could have been invested wholly in high yield fixed income securities and questioned why it shouldn't be done now.

Mr. Fawcett commented that 22% equity content was very small; on the other hand, returns on equity could be very good. McLean Budden's position in equity would allow them to participate in these good returns.

Mr. Hemens said that by divesting itself of all equities, the fund would be subjecting itself to an opportunity loss.

Mr. Fawcett advised the Committee that equity investment was being concentrated mainly in energy related areas. Mr. Hemens suggested that large corporations with offshore installations could be an interesting investment. Mr. Donald added that in view of the weak Canadian dollar that this was true.

Prof. Goldman asked why McLean Budden did not invest solely in Government bonds with a guaranteed return. Miss Bourgeois replied that bond purchases were based on yield and security. Good quality 25 year corporate bonds were available with a 9 1/2% yield whereas Province of Ontario bonds were selling for under 9%.

Mr. Lemieux commented that there were no Quebec Bonds or Quebec Hydro bonds in the portfolio and asked why. Mr. Fawcett replied that he had been instructed by the previous Sir George Committee to abstain from such purchases. Both Mr. Hemens and Mr. Lemieux expressed concern over this revelation.

Manufacturers Life Assets

Prof. Martin suggested that this subject be held over until Manulife had an opportunity to present its views on:

(a) The assets held by them

(b) The total fund.

Mr. Hemens requested that the starting time of the November 28th 1977 meeting be one half hour earlier to permit discussion of the custodial and investment aspects.

The meeting terminated at 2.15 p.m.